



Advance Payment Requirement for Non-Federal Work for Others' (WFO) Sponsors

Lawrence Berkeley
National Laboratory

Financial Policies and Procedures

Part I

Title:	Advance Payment Requirement for Non-Federal Work for Others' Sponsors
Originally issued:	February 21, 2007
Effective Date:	February 21, 2007
Revision Number:	0
Scheduled review date:	February 21, 2008
Primary contact:	Field Operations Manager

Summary

This policy and procedure prescribes financial processes to be followed in estimating the required advance payment for work for Non-Federal sponsors.

Policy

As a federal contractor, the Laboratory is required to adhere to DOE Contract 31 regulations. This policy relates specifically to the [Department of Energy Accounting Handbook, Chapter 13](#), which requires sufficient advance funds be obtained from the Sponsor prior to starting work to maintain a 90-day balance of funds during the life of the project. Exceptions to the 90-day balance of funds requirement include State and Local governments that are precluded by law from providing an advance. Exceptions must be reviewed and approved by the Budget Office.

Procedure

In order to ensure a 90-day balance of funds is maintained, the amount of the advance should be at least equal to the four (4) highest months of estimated costs including equipment and any other unusual startup or operational costs as represented in the total proposed budget. A full advance is required for proposals with a proposed budget of \$25,000 or less or that will be completed in 90 days or less. Methods for calculating the advance will vary depending on the type of work.

Types of possible calculation methodologies include:

1. **Straight-line: Advance = Total cost / Total number of months * 4**

- Flat project burn rate

Example: Dr. W is proposing work for Global International for a total cost of \$525,000. The project is anticipated to begin in October of 2007 and take 12 months to complete. Spending is expected to be about the same each month.

$$\$525,000 / 12 * 4 = \$175,000$$

or

- Erratic burn rate where monthly projection of cost is unknown, high start-up costs and/or large purchases are not expected (B)

Example: Dr. No is proposing work for Genes R Us LTD for a total cost of \$1,325,000. The project is anticipated to begin in January of 2008 and take 20 months to complete. It is not clear at this point what the monthly burn rate will be, high start-up costs are not expected and the budget does not include large purchases.

$$\$1,325,000 / 20 * 4 = \$265,000$$

2. Modified Straight-line: Advance = ((Total cost – start-up costs and/or large purchase) / Total number of months * 4) + start-up costs and/or large purchase

- Flat project burn rate with high start-up costs and/or a large purchase

Example: Dr. Y is proposing work for Query Inc. for a total cost of \$1,200,000. The project is anticipated to begin in September of 2007 and take 18 months to complete. Spending is expected to be about the same each month with the exception of an equipment purchase for \$100,000 as well as \$50,000 for supplies and materials in the first month.

$$((\$1,200,000 - \$100,000 - \$50,000) / 18 * 4) + \$100,000 + \$50,000 = \$383,333$$

or

- Erratic burn rate where monthly projection of cost is unknown with high start-up costs and/or a large purchase

Example: Dr. Z is proposing work for The Air Society for a total cost of \$1,725,000. The project is anticipated to begin in June of 2007 and take 24 months to complete. The monthly burn rate is expected to fluctuate throughout the life of the project, but a detailed cost plan has not been established. Initial supplies and materials total \$100,000 as well as a large equipment purchase for \$125,000.

$$((\$1,725,000 - \$125,000 - \$100,000) / 24 * 4) + \$125,000 + \$100,000 = \$475,000$$

3. Known Costing Profile: Advance = 1st highest month + 2nd highest month + 3rd highest month + 4th highest month

- Erratic burn rate where monthly projection of cost is known (includes start-up costs and/or large purchases)

Example: Dr. Q is proposing work for Money Trees Corp. for a total cost of \$1,000,000. The project is anticipated to begin in December of 2007 and take 12 months to complete. Expected monthly spending is as follows per the detailed monthly spend forecast proposed to Money Trees Corp; Dec \$75,000, Jan \$94,000, Feb \$76,000, Mar \$78,500, Apr \$74,500, May \$79,000, June \$75,500, July \$157,000, Aug \$74,500, Sep \$74,000, Oct \$71,500, Nov \$70,500

$$\$157,000 + \$94,000 + \$79,000 + \$78,500 = \$408,500$$

Authority

- [Department of Energy \(DOE\) Prime Contract 31](#)
- [Department of Energy Accounting Handbook](#)

Contacts

- Field Operations Manager
- Sponsor Projects Manager
- Budget Office Analyst

Glossary

- **Burn rate:** The rate at which costs are incurred
- **Work for Others (WFO):** Work for non-DOE entities performed by DOE/contractor personnel and/or utilize DOE facilities and are not directly funded by DOE appropriations. Work is in accordance with DOE Order 481.1C.

Related documents

- [Bridge Funding Policy](#)
- [WN Funding Request Policy](#)